

Message Text

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43

ORIGIN EB-07

INFO OCT-01 AF-06 ARA-10 EA-09 NEA-10 ISO-00 FEA-01

ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-15 SAM-01 OES-05 SP-02 SS-15 STR-04

TRSE-00 /129 R

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APPROVED BY EB/ORF/FSE:SWBOSWORTH

EUR/RPE:ASENS

FEA - FYGI

NEA/ARP:FMDICKMAN

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R 250059Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY ALGIERS

AMEMBASSY TRIPOLI

USINT BAGHDAD

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY DOHA

AMEMBASSY ABU DHABI

AMEMBASSY TEHRAN

AMEMBASSY LAGOS

AMEMBASSY JAKARTA

AMEMBASSY CARACAS

AMEMBASSY LIBREVILLE

AMEMBASSY QUITO

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E.O. 11652: N/A

TAGS: ENRG

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SUBJECT: ENERGY INDEPENDENCE AUTHORITY (EIA) BILL

REF: STATE 251695

1. THE FOLLOWING CABLE WAS SENT OCTOBER 23 TO ALL IEA CAPITALS. OPEC POSTS MAY WANT TO DRAW UPON CONTENTS IN CONVERSATIONS WITH HOST GOVERNMENT OFFICERS.

BEGIN TEXT

2. THE ADMINISTRATION SUBMITTED TO CONGRESS ON OCTOBER 10 PROPOSED LEGISLATION TO ESTABLISH THE ENERGY INDEPENDENCE AUTHORITY (EIA), A NEW GOVERNMENT CORPORATION TO HELP ACHIEVE ENERGY INDEPENDENCE BY PROVIDING LOANS, LOAN GUARANTEES, PRICE GUARANTEES, OR OTHER FINANCIAL ASSISTANCE TO PRIVATE SECTOR ENERGY PROJECTS.

3. THE EIA WILL PLAY A ROLE IN FINANCING PROJECTS WHICH MAKE A SIGNIFICANT CONTRIBUTION TO ACHIEVEMENT OF ENERGY INDEPENDENCE OR LONG-TERM SUPPLY SECURITY FOR THE U.S. AND WHICH CANNOT OBTAIN FINANCING FROM OTHER SOURCES BECAUSE CAPITAL REQUIREMENTS ARE TOO LARGE, THE PROJECTS ARE TOO RISKY, OR TOO UNCERTAIN ECONOMICALLY BECAUSE THEY ARE IN NEW TECHNOLOGIES (SUCH AS SYNTHETIC FUELS).

4. THE EIA WILL HAVE A FIVE PERSON BOARD OF DIRECTORS, APPOINTED BY THE PRESIDENT, WITH SENATE APPROVAL, WITH ONE MEMBER DESIGNATED BY THE PRESIDENT AS CHAIRMAN. NO MORE THAN THREE BOARD MEMBERS MAY BE OF ANY ONE POLITICAL PARTY.

5. THE EIA WILL EXIST FOR TEN YEARS ONLY AND THEN MUST LIQUIDATE ITSELF, AND WILL TERMINATE IN 1986. IT MAY NOT ASSUME NEW FINANCIAL COMMITMENTS AFTER THE FIRST SEVEN YEARS.

6. CAPITAL STOCK OF DOLS. 25 BILLION WILL BE AUTHORIZED FOR THE IEA WHICH WILL BE PURCHASED BY THE U.S. TREASURY. AN ANNUAL DIVIDEND WILL BE PAID, BUT THIS CAN BE DEFERRED IF THERE IS NO EARNED SURPLUS OR IF THE BOARD DETERMINES OTHER USES OF THE FUNDS ARE MORE DESIRABLE. THIS DOLS. UNCLASSIFIED

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25 BILLION WILL BE SUBJECT TO THE APPROPRIATION PROCESS, AND WILL BE REQUESTED INCREMENTALLY AS NEEDED.

7. THE EIA WILL ALSO HAVE THE AUTHORITY TO ISSUE NOTES, DEBENTURES, BONDS, OR OTHER OBLIGATIONS OF DOLS. 75 BILLION. THESE OBLIGATIONS WILL BE BACKED BY THE U.S. ISSUANCE OF SUCH OBLIGATIONS, AND LOAN GUARANTEES, WILL BE SUBJECT TO APPROVAL ON TIMING, METHOD, SOURCE, INTEREST

RATE, AND OTHER TERMS AND CONDITIONS OF THE SECRETARY OF THE TREASURY AS THEY WILL DIRECTLY IMPACT ON CAPITAL MARKETS IN A MANNER SIMILAR TO GOVERNMENT DEBT. THESE OBLIGATIONS MAY BE SOLD DIRECTLY TO THE PUBLIC OR CHanneled THROUGH THE FEDERAL FINANCING BANK. THE DOLS. 75 BILLION BORROWING AUTHORITY WILL BE REQUESTED INITIALLY IN A ONE-TIME CONGRESSIONAL AUTHORIZATION.

8. THE OUTLAYS OF THE EIA WILL NOT BE INCLUDED IN THE U.S. BUDGET. BUT LOSSES OR GAINS FROM ITS OPERATIONS WILL BE INCLUDED IN THE BUDGET.

9. FINANCING FOR ENERGY PROJECTS MAY BE PROVIDED BY THE EIA IN VARIOUS WAYS INCLUDING LOANS, LOAN GUARANTEES, GUARANTEES OF PRICE, PURCHASE AND LEASEBACK OF FACILITIES, AND THE PURCHASE OF CONVERTIBLE OR EQUITY SECURITIES. PROJECTS WHICH CAN BE FINANCED BY THE PRIVATE SECTOR WILL NOT BE FINANCED BY EIA. TO THE EXTENT PRACTICABLE, LOANS AND LOAN GUARANTEES WILL BE THE FINANCING METHOD USED BY EIA. FINANCIAL ASSISTANCE BY EIA WILL PROVIDE FOR MAXIMUM PARTICIPATION BY PRIVATE FINANCIAL INSTITUTIONS IN PROJECTS, AND WILL BE EXTENDED IN WAYS THAT WILL NOT GIVE RECIPIENTS UNDUE ADVANTAGE OVER COMPETING FIRMS.

EIA WILL NOT ACQUIRE A PERMANENT CONTROLLING OR OPERATING INTEREST IN COMMERCIAL ENERGY PRODUCTION, TRANSPORTATION, OR DISTRIBUTION.

10. THE EIA WILL SUPPORT ONLY ENERGY PROJECTS THAT WILL CONTRIBUTE SIGNIFICANTLY TO THE INCREASE OF DOMESTIC SUPPLY TO REDUCE POLITICAL AND ECONOMIC VULNERABILITY AND PROJECTS THAT WOULD NOT BE FINANCED WITHOUT GOVERNMENT ASSISTANCE. EIA FINANCING WOULD BE LIMITED TO PROJECTS
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ENTAILING COMMERCIALIZATION OF NEW TECHNOLOGIES, TECHNOLOGIES ESSENTIAL TO NUCLEAR POWER PRODUCTION, CONVENTIONAL OR NEW TECHNOLOGIES FOR NON-OIL AND GAS GENERATION OF ELECTRIC POWER, CONVENTIONAL ENERGY TECHNOLOGIES TOO LARGE TO OBTAIN PRIVATE FINANCING OR WHICH REPRESENT INSTITUTIONAL OR REGULATORY ARRANGEMENTS NOT IN WIDESPREAD USE. THE PROJECTS THAT COULD BE SUPPORTED BY EIA RANGE ACROSS THE FULL SPECTRUM OF ENERGY PROJECT, BUT RESEARCH IS NOT INCLUDED. END TEXT KISSINGER

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